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FISCAL IMPACT REPORT

SPONSOR Varela DATE TYPED 02/21/05 HB 774

SHORT TITLE College Loan Interest Charge Calculation SB _____

ANALYST Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Text		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act for the Commission on Higher Education, Student Financial Aid program

SOURCES OF INFORMATION

LFC Files

No Response Received From Commission on Higher Education

SUMMARY

Synopsis of Bill

House Bill 774 changes the terms of several loan-for-service programs administered by the Commission on Higher Education, specifically for students in the fields of medicine, osteopathy, nursing, allied health, teachers, and Western Interstate Commission for Higher Education (WICHE) student exchange (loan for service).

Specifically, terms of the loan for service would be revised as follows:

- A loan would not accrue interest until the commission determines:
 - the loan recipient has terminated his/her education prior to graduation
 - the loan recipient failed to fulfill his/her service obligation
 - cancellation of a contract between the student and commission
- Contracts would no longer specify accrued interest would be capitalized immediately upon completion or termination of the student's education

The bill makes other technical, clean-up changes.

Significant Issues

The only loan for service program administered by the Commission on Higher Education not included in this bill is the minority doctoral assistance program.

FISCAL IMPLICATIONS

The bill does not contain an appropriation. This change would impact timing of the calculation of interest capitalization by the CHE and associated interest accrual.

TECHNICAL ISSUES

If the bill is enacted, would currently enrolled students be grandfathered under current law?

OTHER SUBSTANTIVE ISSUES

The *Commission on Higher Education Annual Financial Report for FY03* reflects the following receivables and allowances for doubtful accounts for the programs addressed in this bill:

	<i>Total Loans Receivable</i>	<i>Allowance for Doubtful Accounts</i>	<i>Net Loans Receivable</i>
Medical Student Loans	\$5,070,796	\$(437,693)	\$4,633,103
Nursing Student Loans	2,423,967	(1,248,552)	1,175,415
Osteopathic Student Loans	1,268,481	(289,466)	979,015
Southeastern New Mexico Teachers	833,600	(317,470)	516,130
Allied Health Service Loans	1,155,436	(255,298)	900,138
WICHE	6,410,125	0	6,410,125

Source: *Commission on Higher Education Annual Financial Report for FY03*, page 28.

POSSIBLE QUESTIONS

1. Under what conditions would a contract be subject to cancellation?

AW/lg